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SIPDIS

NSC FOR MARA RUDMAN AND PREM KUMAR, TREASURY FOR DANNY
GLASER

E.O. 12958: DECL: 06/12/2016
TAGS: [EAID](#) [EFIN](#) [PREL](#) [KPAL](#) [IS](#)
SUBJECT: GOI FOLLOW-UP REQUESTS FROM JUNE 7
ISRAELI-PALESTINIAN BANKING MEETING

REF: TEL AVIV 01237

Classified By: Economic Counselor David R. Burnett; reasons 1.4 b/d

11. (S) In follow-up to the June 7 Israeli-Palestinian meeting on anti-money-laundering and counter-terror-finance (AML/CFT practices in West Bank and Gaza banks (REFTEL) GOI officials reviewed with EconOff next steps and additional information they have sought from the Palestinian side. In separate meetings, Israel Money Laundering and Terror Financing Prohibition Authority (IMPA) Legal Counsel Paul Landes, Israeli Security Agency (ISA) officials and Bank of Israel (BOI) officials agreed that the meeting was a good preliminary step for building confidence and shared the expectation that it would be followed by smaller meetings between counterparts (IMPA-FFU, BOI-PMA, Israeli-Palestinian private banks). The GOI officials commended Palestinian efforts to develop AML/CFT laws. However, both IMPA and ISA said they would be interested in more information on enforcement efforts--such as administrative fines, penalties, numbers of accounts closed or suspicious activity reports. They argued that this information would be useful to show how (and how well) new Palestinian AML/CFT laws have been applied. IMPA also requested information on the sanctions or designations lists (OFAC, etc.) that the Palestinian banks utilize. He said one bank mentioned checking transactions against 43 lists, but did not provide any specifics. Landes also expressed concern that none of the Palestinian banks are using the Israeli sanctions list.

12. (S) Looking forward, Landes said IMPA would like to meet on a regular basis with their Palestinian Financial Follow-up Unit (FFU) counterparts and views increased dialogue as productive. He supports IMPA and the FFU signing an MOU as an important next step which will allow for increased cooperation, such as the regular exchange of figures and data, best practices, and communication through forums like the Egmont secure web when suspicious activity arises. Landes said the signing of such an MOU would be a good-faith gesture from both sides that could help to de-politicize these issues.

13. (S) ISA officials confirmed their view that the current PA/PMA AML/CFT regulations are geared toward anti-money-laundering and not terror financing. They reiterated their interest in the PA enacting legislation specifically against terror financing, but recognized that this move would currently serve Israeli interests more than it would Palestinian objectives. ISA is not certain that the PA/PMA will be able to take action against those who finance terrorism without specific mention of terror financing and prominent terror groups (i.e. Hamas) or individuals in the Palestinian AML/CFT regulations. ISA officials noted that they are reluctant to allow increased financial flows into

Gaza absent such legislation.

14. (S) COMMENT: We believe that some of the specific asks outlined above could prove fruitful in future Israeli-Palestinian discussions. The requests for evidence of AML/CFT regulation implementation and information regarding utilization of sanction lists are technical questions that could build GOI confidence in PMA governance and oversight. Embassy will encourage the GOI to share similar information with the Palestinians in order to build a stronger mutual GOI-PA relationship to tackle these issues together--especially in light of concerns over lax GOI AML/CFT regulation and enforcement. The ISA demands are more political and problematic, and we would recommend to the GOI that they not press them at this time. We will continue to encourage the Israelis to work with the Palestinians to discuss related technical-level topics in hopes of building mutual trust and cooperation--as well as serving to further de-politicize these issues.

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